

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0930-04
Bill No.: HCS for HB 457
Subject: Education, Elementary and Secondary: Capital Improvements
Type: Original
Date: March 26, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	\$0	(\$36,146,971)	(\$72,142,960)
School Building Property Tax Relief	\$0	\$0	\$0
State School Moneys	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$0	(\$36,146,971)	(\$72,142,960)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
School Districts	\$0	(\$22,500,000)	(\$45,000,000)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **State Treasurer's Office** assume the proposal would result in no fiscal impact to the agency.

Officials from the **Secretary of State's Office (SOS)** assume the rules, regulations and forms issued by the Department of Elementary and Secondary Education could require as many as approximately 20 pages in the Code of State Regulations. For any given rule, roughly half again as many pages are published in the Missouri Register as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the Missouri Register is \$23. The estimated cost of a page in the Code of State Regulations is \$27. The actual costs could be more or less the SOS's estimated cost of \$1,230 for FY 2002. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials of **Department of Elementary and Secondary Education (DES)** note that the proposal would divert gaming proceeds currently used to fund the Foundation Formula to the School Building Property Tax Relief Fund (currently the School Building Revolving Fund). The FY 2001 budget estimates that \$180,000,000 will be transferred from the Gaming Proceeds For Education Fund to the State School Moneys Fund. The proposal would switch the transfer to the School Building Property Tax Relief Fund over a five-year period. The State School Moneys Fund would receive additional General Revenue Fund transfers to cover losses. Assuming the \$180,000,000 remains constant, the fiscal impact would be:

FY	Gaming Proceeds	%	School Bldg. % Property Tax Relief Fund (SBPTRF)	Transferred to SBPTRF	General Revenue Cost
2003	\$180,000,000	20	\$36,000,000	80	\$144,000,000 \$36,000,000
2004	\$180,000,000	40	\$72,000,000	60	\$108,000,000 \$72,000,000
2005	\$180,000,000	60	\$108,000,000	40	\$72,000,000 \$108,000,000
2006	\$180,000,000	80	\$144,000,000	20	\$36,000,000 \$144,000,000
2007	\$180,000,000	100	\$180,000,000	0	\$0 \$180,000,000

ASSUMPTION (continued)

Department of Elementary and Secondary Education officials note that the School Building Revolving Fund has not accumulated enough money to allow the Department to make any loans. (Under terms of this proposal, there would be enough money in the renamed Fund to begin to meet the estimated \$2 billion in public school capital improvement needs.) The Department would request a Director and an Administrative Assistant and related expense and equipment to carry out provisions of this proposal.

Department of Elementary and Secondary Education officials estimate new construction and renovation of existing facilities would cost \$1.5 billion over ten years and assumes that the average amount of grants would average \$150,000,000 per year. (Less in earlier years and more in later years.) Department administrative costs would vary with the amount of grants made. Officials note that the personnel requested could be supplemented in later years of the grant program.

Since there are an estimated \$2 billion in capital improvement need, Oversight assumes that school districts would match all available grant funds. Since the match required of school districts ranges from 50% to 75%, Oversight assumes districts would match 62.5% of state funds on average.

<u>FISCAL IMPACT - State Government</u>	FY 2002	FY 2003	FY 2004
	(10 Mo.)		
GENERAL REVENUE FUND			
<u>Cost</u> - Department of Elementary and Secondary Education (DES)			
Personal Service (2 FTE)	\$0	(\$95,136)	(\$97,515)
Fringe Benefits	\$0	(\$31,709)	(\$32,502)
Expense and Equipment	<u>\$0</u>	<u>(\$20,126)</u>	<u>(\$12,943)</u>
Administrative Costs to DES	\$0	(\$146,971)	(\$142,960)
<u>Cost</u> - Increased Transfers to State School Moneys Fund	\$0	(\$36,000,000)	(\$72,000,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	\$0	(\$36,146,971)	(\$72,142,960)
STATE SCHOOL MONEYS FUND			
<u>Income</u> - Increased Transfers from General Revenue Fund	\$0	\$36,000,000	\$72,000,000
<u>Loss</u> - Decreased Transfers from Gaming Proceeds for Education Fund	\$0	(\$36,000,000)	(\$72,000,000)
ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - State Government

FY 2002
(10 Mo.)

FY 2003

FY 2004

**SCHOOL BUILDING PROPERTY
TAX RELIEF FUND**

<u>Income</u> - Transfers from Gaming Proceeds for Education Fund	\$0	\$36,000,000	\$72,000,000
<u>Cost</u> - Grants to School Districts	\$0	(\$36,000,000)	(\$72,000,000)
ESTIMATED NET EFFECT ON	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**SCHOOL BUILDING PROPERTY
TAX RELIEF FUND**

FISCAL IMPACT - Local Government

FY 2002
(10 Mo.)

FY 2003

FY 2004

SCHOOL DISTRICTS

<u>Income</u> - Grants	\$0	\$36,000,000	\$72,000,000
<u>Costs</u> - Grant Matches	\$0	(\$22,500,000)	(\$54,000,000)
<u>Costs</u> - Capital Improvements	\$0	(\$36,000,000)	(\$72,000,000)
ESTIMATED NET EFFECT ON	\$0	(\$22,500,000)	(\$54,000,000)

SCHOOL DISTRICTS

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal would redirect excursion gambling boat proceeds from State School Moneys Fund for distribution through the Foundation Formula to the School Building Property Tax Relief Fund (the new name of the current School Building Revolving Fund).

Moneys would be redirected over a five-year period beginning in Fiscal Year 2003, and the General Assembly would appropriate money from the General Revenue Fund to replace moneys redirected from the State School Moneys Fund.

The Department of Elementary and Secondary Education would make grants to school districts from the School Building Property Tax Relief Fund on a matching basis. School district matches
DESCRIPTION (continued)

would be based on a sliding scale ranging from districts putting up 50% of the amount of state

grants to districts putting up 75%.

The proposal provides standards for prioritizing grants and would allow applications for grants that involve renovation of historic buildings to be eligible for a 55% state/45% district basis to a 30%state/70% district basis.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. The proposal would not affect Total State Revenue.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Secretary of State
State Treasurer

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive "Jarrett".

Jeanne Jarrett, CPA
Director
March 26, 2001